

### Statement of Leroy Taira

On April 12, 2007, Leroy S. Taira, who resides at 2624 Rooke Avenue, Honolulu, HI 96817, telephone (808) 595-4564, who recently retired from the Fiscal Department, Department of Land and Natural Resources (DLNR) was contacted by Hilton J. Lui. Upon contact Taira was informed by Lui that he has been retained as an Investigator for the Hawaii State Ethics Commission and wanted to ask him some questions.

Taira was informed by Lui that Lui recently received a Discussion Paper dated October 26, 2006, from Dennis Ihara who is currently the Deputy Registrar at the BOC and who indicated he received the copy through Juliette Kazanjian, the Fiscal Management Officer. Taira advised that his review was only on opened items which Ihara and Masuda had questions about concerning certain procurement transactions of the BOC and access to computer data of the Bureau and fees collected for that access. His review did not consider taking in cash and how they booked it and how they billed. Upon completion he gave it to Kazanjian. Later he had discussion with Dennis Ihara and Bob Masuda, the Deputy of DLNR about the Discussion Paper.

Taira recalled on the third page he noted the recommended follow-up, such as BOC should start processing of amending their admin rules to reflect the new features available and to set the fees for services. Taira added that as he looked at the fee that was posted on their website he then asked them if that was the current fee structure and he was told, "yes." Taira added that didn't match because the features that came with the new computer system were actually dated after the date on the fee

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schedule that was posted. Taira understanding of the problem was that in order to update the fee schedule they need to go through an administrative rules procedure and hold public hearings. The second recommendation was BOC should replace the fee schedule posted on the division's website with the approved fee schedule and follow up on this. The third recommendation was the BOC should execute written contracts with all authorized non-DLNR systems users. The last recommendation was BOC should request data processing and follow with the Lange Group to determine the current systems availability to provide data and image transfers as originally design and to audit the programming service to have been donated by Title Guaranty. This comment was directed towards some programming that Title Guaranty did for the computer that resided in the basement of DLNR. Taira added that there was a "Regatta" server that was purchased specifically for those new features that are located in ICSD, now under of Department of Accounting and General Services. This came up because Taira's understanding was there was a maintenance type of charge to serve it. Taira was not positive as to who provides the maintenance for the server.

Taira advised he saw the contract #46716 where TG had a contract to digitize the BOC system for \$200,000 for the first five years and \$200,000 for an additional five years, and charge was 15 cents per page for copying. Title already had the microfilm and the charge per page was to convert that microfilm into a digitized image. Taira's understanding is that it is not an automatic thing to just run a microfilm and convert it into a scanned image. There is an expertise required for that. That was one thing that was sun through DAGS ICBS, so he assumed they would know more about what the technical requirements are. He assumed that

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because the contract was signed everything would be fine.

Taira also looked at the last step in the scanning system which involved processing the digital images to microfilm through a document archive writer, similar to how documents were microfilmed in the past. He looked at why they were doing that also and when he looked at the requirements as far as in the statutes it seemed to him to be unnecessary so essentially he told BOC to follow-up with the AG to see if they could discontinue the actual microfilming and just rely on the scanned images in case of law suits. The Registrar, Carl Watanabe was not sure also that this was necessary. Taira added after looking at the statute deemed this microfilming unnecessary but the best way was to ask the AG for a definite answer. Previously the cost of the microfilm processing both purchasing the microfilm and also the developing of the film were not borne by the BOC but divided among the title companies. Therefore they never had bills from Hawaii Microfilm Services.

Taira added according to Watanabe the intent of the new system was to eliminate the need for title companies and the public to maintain a microfilm library and a separate data file. The new system would provide a means to capture both the images and the data on the same system. While it was intended to charge for this additional benefit, it is not working properly because while the scanning is current, the related indexing is not. Taira learned with the help of TG's technical group, a program was created for immediate access to these images without the recording information. Taira could not find any executed contracts, purchase order or fees paid to Title Guaranty for this service. According to Watanabe the only fee which

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is currently charged to the title companies is \$150 per month plus minutes for LCAT, which allows for the retrieval and printing of Land Court Certificates of Title. This contradicts current information provided by Alan Smith of DP, as in a preliminary listing of authorized users, it appears that some users are getting images and data transfers from the new system. Smith gave hi a listing of the logons to the images and data. Smith divided it among the three separate categories, LCATs, Images and Data being the Indexes. Taira added the Images being the scanned images and the Data being the Indexes which tells you what you are looking at. Smith mentioned to him the same problem about the indexing not being current. Smith indicated the Lange Group was aware of the program donated by TG.

Taira added the BOC's admin rules as posted on their website have not been revised to reflect the major changes expect to be effective January 2002. There is a section concerning the sale of computerized information (LCATs) on magnetic tapes, which no longer applies. There are no provisions for a fee structure for the expected digitized data and image transfers. On the BOC website, there is a Fee Schedule dated September 1, 2003 which does not list fees for these new services and also revises the LCATs monthly charge. According to Watanabe the Board has not approved this fee schedule. Taira added under HRS 502-25 it is clear that fees for services rendered under this chapter shall be established by rules adopted by the DLNR pursuant to Chapter 91, which deal with administrative rules. Taira added being that there is no set amount his feeling is the BOC does not know what it is receiving monies for.

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